

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

L-03 H-03 NEA-10 IO-14 PA-04 PRS-01 USIA-15 AGR-20

SCI-06 DODE-00 DRC-01 /205 W
----- 108012

P 280812Z NOV 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9437

INFO AMEMBASSY SAIGON PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 6/30/74

TAGS: EAID, EFIN, VS

SUBJECT: PROPOSED ADB LOAN FOR GO CONG PIONEER AGRICULTURAL
PROJECT (VIETNAM)

SUMMARY: ADB MANAGEMENT PROPOSES \$2.1 MILLION EQUIV-
ALENT LOAN FROM SPECIAL FUNDS TO REPUBLIC OF VIETNAM
TO FINANCE FOREX COSTS OF GO CONG PIONEER AGRICUL-
TURAL PROJECT AS INITIAL PROJECT IN REGIONAL
PROGRAM TO ESTABLISH APPROPRIATE AGRICULTURAL
DEVELOPMENT STRATEGIES IN LOWER MEKONG BASIN. PROJECT
IS FIRST PHASE OF GO CONG WATER CONTROL PROJECT AND
WILL ESTABLISH INTERGRATED APPROACH TO IMPROVING
IRRIGATED RICE PRODUCTION IN TYPICAL COASTAL REGION
OF DELTA. USADB RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

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1. ADB DOC. R109-73 WITH ATTACHMENTS DESCRIBING

PROPOSED LOAN POUCHES ADDRESSEES NOV. 26. BOARD
CONSIDERATION SCHEDULED DEC. 17.

2. ADB MANAGEMENT PROPOSING \$2.1 MILLION EQUIVALENT
LOAN FROM SPECIAL RESOURCES TO REPUBLIC OF VIETNAM.
PROCEEDS WILL FINANCE FOREX COST OF FINANCING A) CON-
STRUCTION OF INTAKE STRUCTURE AND FEEDER CANAL ON SONG
MY THO RIVER; B) ENLARGING EXISTING PUMPING PLANT AND
CONSTRUCTION OF NEW IRRIGATION AND DRAINAGE NETWORKS;
C) CONSTRUCTION OF A DIKE, SLUICES, ACCESS ROADS;
D) IMPROVING FARMER ORGANIZATIONS AND AGRICULTURAL
SERVICES INCLUDING PROVIDING EQUIPMENT AND E) RELATED
CONSULTING SERVICES. PROPOSED TERMS ARE 30 YEAR
AMORTIZATION INCLUDING 7 YEAR GRACE PERIOD, 2-1/2 PERCENT
INTEREST. REPUBLIC OF VIETNAM (GVN) TO BE BORROWER,
DIRECTORATE OF IRRIGATION AND RURAL ENGINEERING (DIRE)
TO BE EXECUTING AGENCY.

3. GO CONG PROJECT AREA 40 KM SOUTHWEST OF SAIGON, COVERING
6300 HECTARES NET IRRIGABLE AREA, IS ONE OF SEVERAL
PIONEER AGRICULTURAL PROJECTS IN MEKONG BASIN CHOSEN
TO PROVIDE CONCEPTUAL, TECHNICAL AND ORGANIZATIONAL
MODEL FOR LATER FORMULATION AND IMPLEMENTATION OF LARGE-
SCALE PROJECTS HAVING SIMILAR DEVELOPMENTAL CONSTRAINTS.
SUBJECT PROJECT AREA TYPIFIES EASTERN COASTAL REGION
OF DELTA LACKING FRESH WATER SUPPLIES DURING MUCH OF
DRY SEASON; PERIODIC FLOODING; POOR SURFACE DRAINAGE;
SALINE SOILS AND LIMITED FARM-TO-MARKET ACCESS. ALL
COMBINE TO LIMIT POTENTIAL PADDY PRODUCTION TO ONE LOL-
YIELDING WET SEASON CROP BY PREVENTING DOUBLE-CROPPING,
USE OF HIGH YIELDING VARIETIES, FERTILIZER AND OTHER
MODERN INPUTS. ALSO, SALINITY INTRUSION INTO RIVER
AND CANAL PROVIDING GO CONG CITY WATER SUPPLY DURING
DRY SEASON NOW OBLIGES COSTLY IMPORTATION BY TANK
TRUCKS DURING PORTION OF DRY SEASON.

4. BANK-FINANCED TECHNICAL ASSISTANCE RESULTED IN FEASIBILITY
STUDY BY AGRICULTURAL DEVELOPMENT CORP. OF
KOREA (ADC) COMPLETED MAY 1973. ADC RECOMMENDED PROPOSED
55,000 HECTARE GO CONG WATER CONTROL PROJECT, OF WHICH
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THIS IS INITIAL PHASE. BANK APPRAISAL MISSION CONFIRMED
PROJECT WAS TECHNICALLY SOUND AND ECONOMICALLY JUSTIFIED.
(ADC FEASIBILITY STUDY PERFORMED ON BASIS MEMORANDUM OF
UNDERSTANDING BETWEEN UNDP, IBRD, MEKONG COMMITTEE AND
BANK, IN WHICH IBRD DELEGATED TO BANK EXECUTING ROLE
FOR PIONEER AGRICULTURAL PROJECTS TO BE AGREED UPON.)

5. PROJECT AREA TYPIFIES PROBLEMS COMMON TO AREA

INCLUDING SEASONAL SHORTAGES IRRIGATION WATER, SLUGGISH DRAINAGE, RECURRENT TIDAL FLOODING AND SALINITY INTRUSION. PROJECT WILL DEMONSTRATE WATER CONTROL AND ADEQUATE UTILIZATION OF LAND AND WATER RESOURCES BY PROVIDING COORDINATED SYSTEMS OF IRRIGATION, DRAINAGE, FLOOD AND SALINITY CONTROL PLUS SUITABLE PROGRAM OF AGRICULTURAL SERVICES TO SUPPORT INTENSIVE CROP PRODUCTION, INTEGRATED DEVELOPMENT IN 6300 HECTARE SERVICE AREA.

6. PROJECT COMPRISED OF: A) CONSTRUCTION OF INTAKE STRUCTURE WITH THREE 2.5 X 2.5 METER GATES ON SONG MY THO RIVER AND FEEDER CANAL (ABOUT 7 KM.) TO EXISTING CA HON CANAL; B) INSTALLATION OF FIVE ELECTRIC AXIAL FLOW WATER PUMPS OF 2.6 CUBIC METERS/SECOND (C.M.S.) CAPACITY TO INCREASE CAPACITY OF THAM THU PUMPING STATION; C) RAISING AND ENLARGING MAIN 18 KILOMETER THAM THU CANAL AND CONSTRUCTING TURNOUTS AND 14 MAIN IRRIGATION LATERALS (TOTALING 53 KILOMETERS) AND 350 KILOMETERS SUBLATERALS. (INITIAL HEAD OF 2 METERS WILL BE GAINED BY PUMPING AT THAM THU STATION WHILE ESTIMATED ANNUAL DELIVERY OF 140 MILLION CUBIC METERS TO SYSTEM WILL BE GRAVITY FLOW.); D) A ONE METER DIKE AND 5 SLUICES ALONG NORTHERN EDGE OF PROJECT; E) 400 KILOMETERS OF NEW LATERAL AND SUBLATERAL DRAINS; F) 75 KILOMETERS OF GRAVEL-SURFACED ALL WEATHER ROADS ATOP IRRIGATION LATERALS AND THE DIKE; FIFTY KILOMETERS OF DRY WEATHER ROADS ON DRAINAGE LATERALS AND 350 KILOMETERS OF SMALL DRY WEATHER FARM ROADS ALONG IRRIGATION SUBLATERALS; G) ESTABLISHMENT OF AREA FACILITIES FOR ADAPTIVE RESEARCH, EXTENSION, FARMER ORGANIZATIONS AND RURAL CREDIT; H) RELATED CONSULTANT SERVICES. GOVT GIVES HIGH PRIORITY TO THIS AGRICULTURE SECTOR PROJECT, WITHIN FRAMEWORK NEW EIGHT-YEAR POSTWAR RECONSTRUCTION (1973-1980).
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CONSTRUCTION ESTIMATED TO TAKE FOUR YEARS.

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INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

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L-03 H-03 NEA-10 IO-14 PA-04 USIA-15 PRS-01 AGR-20

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INFO AMEMBASSY SAIGON PRIORITY

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7. TOTAL COST OF PROJECT ESTIMATED AT \$7.1 MILLION EQUIVALENT, WITH BANK FINANCING OF \$2.1 MILLION TO COVER FOREX COSTS OF IMPORTING MATERIALS, MACHINERY, EQUIPMENT AND CONSULTING SERVICES. GVN ASSURES LOCAL CURRENCY FUNDS WILL BE PROVIDED UNDER ANNUAL BUDGET ALLOCATIONS IN ACCORD WITH PROJECT NEEDS.

8. PROCUREMENT WILL BE IN ACCORD WITH BANK'S GUIDELINES FOR PROCUREMENT FROM ELIGIBLE SOURCE COUNTRIES ONLY. CONTRACTS OF \$50,000 OR MORE SUBJECT TO INTERNATIONAL COMPETITIVE BIDDING; CONTRACTS LESS THAN \$50,000 ON BASIS OF SELECTIVE SHOPPING FROM REASONABLE NUMBER OF SUPPLIERS. SHORTLIST OF CONSULTANTS NOW BEING PREPARED FROM AMONG SOURCE COUNTRIES. CONSULTANTS CHOSEN WILL CARRY OUT DESIGNS, PREPARE TENDER DOCUMENTS AND ASSIST DIRE IN PROJECT EXECUTION, INCLUDING CONSTRUCTION SUPERVISION, AGRICULTURAL EXTENSION AND SOIL AND WATER MANAGEMENT.

9. DIRE, EXECUTING AGENCY, IS PART OF MINISTRY OF LIMITED OFFICIAL USE

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AGRICULTURE. PROJECT UNDER DIRE "SECTOR" OFFICE HEADQUARTERED IN MY THO. IN VIEW LIMITED DIRE STAFF, ESPECIALLY TRAINED ENGINEERS, GVN HAS AGREED REORGANIZE INTERDEPARTMENTAL COORDINATING COMMITTEE FACILITATE PROJECT IMPLEMENTATION AS WAS CASE OF BANK-ASSISTED BINH DINH IRRIGATION PROJECT (QUI NHON). COMMITTEE WILL ALSO SERVE BANK-ASSISTED TAN AN PROJECT (ADJACENT TO GO CONG); OTHERS REQUIRING SIMILAR COORDINATION.

PROJECT OFFICE WILL BE ESTABLISHED UNDER AUSPICES, LARGELY FOR CONSTRUCTION PHASE (MOST HEAVY CONSTRUCTION EQUIPMENT TO BE PROVIDED FROM UNDER-UTILIZED MILITARY SURPLUS FLEET OF GVN-OWNED VIETNAM ENGINEERING AND CONSTRUCTION CORPORATION (VECCO) WHICH SUPPORTED BY USAID-FUNDED VINNELL ADVISORY TEAM) TO SAVE SCARCE FOREIGN EXCHANGE, MAXIMUM AMOUNT OF WORK POSSIBLE ON PROJECT TO BE DONE UTILIZING LOCAL CONTRACTORS, IN-COUNTRY EQUIPMENT, SELF-HELP BY FARMERS PROVIDING FARM DITCHES AND DRAINS; PERMANENT EQUIPMENT FLEET OF OPERATION AND MAINTENANCE SECTION WILL BE MODEST; EXCLUDES MAJOR EARTH-MOVING, EXCAVATION AND LIFTING EQUIPMENT ALREADY AVAILABLE. TWO YEARS AFTER ESTABLISHMENT OF PROJECT OFFICE, TEMPORARILY AFFILIATED AGRICULTURAL DEVELOPMENT CENTER WILL BE DETACHED FROM PROJECT OFFICE, GIVEN SEPARATE STATUS TO ASSURE PROVISION OF NEEDED SERVICES TO FARMERS. GOVT AGREES ALSO TO ESTABLISH TWO NEW DISTRICT RURAL BANKS IN PROJECT AREA TO PROVIDE NECESSARY AGRICULTURAL CREDITS; ASSURE FERTILIZER AND OTHER INPUTS ARE SUPPLIED. GOVT AGREES THAT FINDINGS OF BANK-FINANCED CONSULTANT FOR BINH DINH PROJECT, ADVISING ON ESTABLISHMENT WATER USERS ASSOCIATION, WILL BE APPLIED TO GO CONG AS APPLICABLE.

10. IN VIEW GVN'S LONG-STRAINED ECONOMY AND DIFFICULT BALANCE OF PAYMENTS POSITION, BANK RECOMMENDS THIS FINANCIAL ASSISTANCE BE ON CONCESSIONAL TERMS, SAME AS APPLIED TO 1971 BINH DINH IRRIGATION PROJECT NOW BEING IMPLEMENTED.

11. ESTIMATED INCREASE IN YIELDS ATTRIBUTABLE TO PROJECT AND RESULTANT RISE IN FARMER INCOMES (2.8 TIMES BY 1980) GENERATES NET ANNUAL INCREMENTAL REVENUE OF US\$325 LIMITED OFFICIAL USE

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PER HECTARE; WILL GENERATE DEMAND FOR 450,000 ADDITIONAL MAN-DAYS FARM LABOR TO PERFORM INTENSIVE DOUBLE-CROPPING OF PADDY. ECONOMIC INTERNAL RATE OF RETURN CALCULATED TO BE SATISFACTORY 13.4 PERCENT. PROJECT CONSIDERED TECHNICALLY AND ECONOMICALLY FEASIBLE. IF WATER USE CHARGE SCHULE IS SET AT \$126 PER HECTARE, THIS AMOUNT CONSIDERED SUFFICIENT TO AMORTIZE INVESTMENT, COVER RECURRENT OPERATION AND MAINTENANCE, REPLACEMENT AND AGRICULTURAL SERVICE COSTS AND WOULD BE LESS THAN ONE-HALF INCREMENTAL BENEFITS FROM PROJECT. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

12. REQUEST SAIGON'S COMMENTS FOR NAC AGENCIES, INFO MANILA USADB PURSUANT TO STATE 119795 DATED 3 JULY 1972.

SULLIVAN

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Message Attributes

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